Finance for the most vulnerable

A decade on from its creation, how successful is the Green Climate Fund in translating finance from rich countries into climate action for the most vulnerable?

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The year 2020 has been dubbed a climate 'super year'. All signatories of the Paris Agreement are requested to revise the (currently insufficient) ambition of their pledges to achieve the Paris goals, known as nationally determined contributions or NDCs. Though the COVID-19 pandemic has created immense disruption worldwide, and caused major international climate meetings and negotiations to be postponed, many developing countries continue to work towards developing new and stronger NDCs that will help limit global warming and increase their populations' resilience.

A key condition in these countries' efforts to transition to low-carbon and resilient economies will be access to financial support, as recognised in the international climate policy framework. In 2010, developed countries agreed to a goal of jointly mobilising $100 billion per year by 2020 to help developing countries reduce emissions and adapt to the impacts of unavoidable climate change. While this $100 billion will flow through a variety of channels, one key conduit is the Green Climate Fund (GCF). Established in 2010, the GCF aimed to rebuild trust between developed and developing countries after they collectively failed to adopt an encompassing global climate agreement at the previous year's Copenhagen Climate Summit.

In its initial round of fundraising in 2014, the GCF received pledges of approximately $10 billion. While well short of target requirements, the mobilisation of these funds sent a strong signal and contributed to the adoption of the Paris Agreement in 2015.

Since its inception, the GCF has been different from existing international financing institutions (IFIs) such as the multilateral development banks or the Global Environment Facility. For one, while other IFIs have a range of developmental and environmental focus areas, the GCF is solely focused on climate action.

Furthermore, unlike traditional official development assistance, which is only eligible to countries below a certain per capita income threshold, GCF support is available to all developing countries that are parties to the United Nations Framework Convention on Climate Change.

Finally, while governance of other IFIs tends to be dominated by donors, the GCF Board features equal representation of developed and developing countries.

The GCF further seeks to correct previous imbalances in the provision of international climate finance. To prevent the poorest and most vulnerable countries from being overlooked in the provision of support, the GCF has specific goals for providing adaptation finance to these countries. It has adopted a number of modalities and procedures to improve these countries' access to GCF funds. It is also the only climate fund mandated to strive for an equal split of its resources provided between mitigation and adaptation.

The GCF further complements other sources of finance by maintaining a higher risk appetite, which allows it to de-risk potentially transformational climate investments for other financiers and private investors.

In addition to, and by function of, its role as a central provider of climate finance, the GCF is also expected to make a critical norm-setting contribution to the international climate finance landscape. First, the Fund put at the centre of its operation the principle of country ownership, bringing to scale a relatively recent business model responsive to recipient countries' needs. The GCF even allows countries to access resources directly through their national agencies, provided these agencies meet international standards.

From its inception, the GCF was designed to strongly interface with the private sector – both at a global level and within developing countries. It does so by offering a wide range of financial instruments to help mobilise domestic capital, de-risk investments, accredit private entities to serve as intermediaries who receive the funds and implement projects, and to work with governments to improve regulations and create a friendlier business environment for low-carbon and resilient investment.

Significant resources

While GCF resources are significant compared with other climate funds, with close to $20 billion already mobilised through its financing and co-financing over the last five years, they still represent a drop in the ocean relative to anticipated need. It is estimated that the world's urban, energy and land-use infrastructure will require investment of $90 trillion to achieve the type of global transformation needed in the face of climate change. This fact is why the GCF needs to provide support in a strategic and catalytic manner, and is central to the Fund's objective of seeking to promote a global paradigm shift toward low-carbon and resilient development.

And the GCF is growing ever more successful in doing so. Despite a somewhat politicised decision-making process, the Fund has proved agile, programming billions of dollars in its first few years of operation.

▲ **Attapeu, southeastern Laos. Families evacuate after their village was destroyed following flash floods and a subsequent dam collapse. The GCF is currently working on a project with Laos to develop ecosystem-based defences against flooding, which depresses the economy by around 3 per cent annually**

In addition, the quality of projects it receives is improving, with bolder ideas and more ambitious impacts. This improvement is due in no small part to the Fund's capacity-building programmes, such as the GCF Readiness Programme, as well as other ad hoc and ongoing support provided to developing countries.

This is not to say it has been all success. For one, the GCF has not yet achieved the mitigation–adaptation parity it strives for. Additionally, some sectors, considered a priority to meet the Paris Agreement's goals, are still under-represented in its portfolio. This is particularly the case for cross-sectoral projects seeking to encourage low-carbon transport (electrification) and a 'mode shift' to lower-carbon forms of transportation. Aware of these issues, the Fund's Board and Secretariat are working to improve on these results.

The Fund's recent replenishment in 2019 further raised some cause for concern. Over the course of the year, contribution promises amounted to $9.8 billion, from 27 countries. Though the bulk of the contributions came from national governments of developed countries, contributions were also made by the governments of Indonesia and Republic of Korea. The total level of pledges fell short of the initial aspiration of doubling the GCF's resources.

This was due in large part to the withdrawal of the United States, which had pledged $3 billion in the GCF's first fundraising round in 2014 and provided $1 billion to the Fund prior to reneging on its remaining $2 billion in commitment in 2017. Another loss to the Fund's balance sheet came from Australia, who provided $200 million in 2015, but declined to contribute in 2019. However, several other countries signalled their confidence in the Fund by doubling their contributions, including Germany, France, the United Kingdom and Norway.

Empowering developing countries' governments and agencies, enhancing those countries' climate policy and regulatory frameworks, building resilience of the most vulnerable communities and catalysing investment shifts from brown to green assets at a regional and global scale; after five years of a taxing learning-by-doing process, the GCF strategic support role is progressively coming into focus.

By seeking science-based, innovative and paradigm-shifting approaches compatible with the Paris Agreement's goals, the GCF is setting the bar higher to allocate its support and is working across the board to move the world towards a low-carbon and resilient future. ●